

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 ITC-01

AF-10 NEA-10 OES-07 /143 W

-----124883 200748Z /16

R 191622Z JUL 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 4654

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL ZURICH

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USDEL MTN ALSO FOR MISSION

USOECD ALSO FOR EMBASSY

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS FINANCIAL REVIEW: WEEK OF JULY 10 TO 16

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC DECLINED TO SF 2.41. SWISS NATIONAL BANK CUT ITS DISCOUNT RATE TO 1.5 PERCENT. BANKS CURRENT ACCOUNT BALANCE WAS REVISED UPWARD TO SF 8.74 BILLION. CREDIT SWISS REPORT EXPECTS SLIGHT DECREASE IN GOLD OFFER AND DEMAND IN 1977. POLICE SEQUESTERED 20,000 SHARES OF BALLY STOCK. END SUMMARY.

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2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE AGAINST SWISS FRANC SLIPPED FURTHER IN NERVOUS MARKET. DOLLAR DIPPED TO SF 2.40 MONDAY AND WEDNESDAY. SWISS NATIONAL BANK CUT ITS DISCOUNT RATE FROM 2 TO 1.5. PERCENT AND LOMBARD RATE FROM 3 TO 2.5 PERCENT THURSDAY TO TAKE UPWARD PRESSURE OFF THE FRANC. DOLLAR RATE CLOSED AT

SF 2.42 THURSDAY BUT EASED AGAIN FRIDAY. UNION BANK OF SWITZERLAND INFORMAL NEWSLETTER REPORTED THAT PERIOD OF HIGHLY VOLATILE EXCHANGE MARKETS COULD FOLLOW OVER NEXT FEW MONTHS BECAUSE RATES FOR CURRENCIES OF SOME HIGH INFLATION COUNTRIES HAVE BEEN UNREALISTICALLY STABLE IN RECENT MONTHS AND ARE PRIME CANDIDATES FOR CHANGE. GOLD PRICE ROSE ABRUPTLY. DEALERS SAID THIS WAS LATE REACTION TO EXCHANGE MARKET DEVELOPMENT. RATES FOLLOW:

	7/11 (OPEN)	7/15 (CLOSE)
SPOT DOLLAR	2.4155	2.4125
FORWARD DISCOUNTS (PERCENT PER ANNUM)		
ONE MONTH	2.99	3.28
TWO MONTHS	2.61	2.88
THREE MONTHS	2.62	2.77
SIX MONTHS	2.59	2.72
TWELVE MONTHS	2.61	2.67
SF/DM	105.20	105.62
GOLD	141.25	144.25

3. CAPITAL AND MONEY MARKETS: STOCK PRICES IMPROVED SLIGHTLY; SKA INDEX ROSE 0.9 PERCENT TO 221.2. SNB JULY 18 LOWERED ITS SPRECIAL DISCOUNT RATE TO FINANCE COMPULSORY UNCLASSIFIED

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RESERVES OF FOOD STOCKS FROM 2 TO 1.75 PERCENT AND FOR OTHER STOCKS FROM 2.25 TO 2 PERCENT. LARGEST BANKS REDUCED FIXED TERM DEPOSIT RATES FOR 3 TO 5 MONTHS FROM 2.75 TO 2.5 PERCENT AND FOR 6 TO 12 MONTHS FROM 3.75 TO 3 PERCENT. BANKS SAID THIS MOVE WAS UNRELATED TO LOWER SNB DISCOUNT RATE, BUT ADJUSTMENT TO MARKET CONDITIONS, EURO-FRANC INTEREST RATES 3 TO 12 MONTHS HAVE FALLEN TO RANGE OF 2.88 TO 3.5 PERCENT. AVERAGE YIELD CONFEDERATION BONDS DROPPED FROM 4.26 TO 4.22 JULY 15.

4. INTERNATIONAL PAYMENTS: REVISED SWISS CURRENT ACCOUNT BALANCE FOR 1976 WAS REPORTED AT SF 8.74 BILLION, RESULT OF SMALL TRADE SURPLUS WHILE CAPITAL RECEIPTS ROSE AND CAPITAL TRANSFERS BY FOREIGN WORKERS DECLINED. CREDIT SUISSE REPORTED IT EXPECTS SF 2 BILLION BALANCE OF PAYMENTS SURPLUS IN 1977. MULTINATIONAL CORPORATIONS BASED IN SWITZERLAND RENEWED FOR ONE YEAR AGREEMENT TO REPORT FOREIGN EXCHANGE TRANSACTIONS TO SNB. BANKS ALSO RENEWED AGREEMENT TO REPORT FOREIGN EXCHANGE TRANSACTIONS ABOVE SF 5 MILLION TO SNB.

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5. GOLD: CREDIT SUISSE JULY BULLETIN REPORT ON GOLD
STATED THAT PRICE MAY RISE OVER LONG TERM BUT IS NOT
EXPECTED TO EXCEED DOLS 150 PER OUNCE FOR VERY LONG
DURING SHORTER TERM. WESTERN PRODUCTION IS EXPECTED
TO DECLINE. SOUTH AFRICA, WHICH SUPPLIED 713 TONS
IN BOTH 1975 AND 1976, IS EXPECTED TO GAUGE ITS SALES
TO MARKET PRICES. EASTERN SALES SHOULD ALSO DECREASE
BECAUSE IMPROVED TRADE BALANCES REDUCE NEED FOR
FOREIGN EXCHANGE. DEMAND FOR JEWELRY IS EXPECTED TO
DECLINE DURING SUMMER 1977 AND AFTERWARD DUE TO HIGHER
GOLD PRICE. INDUSTRIAL GOLD USE SHOULD CONTINUE NEAR
1976 RECORD LEVEL. U.S. INDECISION ON SALE OF ITS
OFFICIAL GOLD WAS SAID TO BE IMPORTANT FACTOR WEIGHING
ON INVESTORS, THOUGH DEMAND FOR INVESTMENT AND HOARDING
IS EXPECTED TO INCREASE 70 PERCENT, PRIMARILY FROM
MIDDLE EAST OIL EXPORTING COUNTRIES AND FAR EAST.
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MINTING OF COINS AND MEDALS SHOULD DECLINE. CREDIT

SUISSE REPORTED FOLLOWING ESTIMATES OF 1977 MARKET
SUPPLY AND PRIVATE DEMAND COMPARED TO PAST YEARS.

(A) SUPPLY IN TONS	1975	1976	1977
SOUTH AFRICA, CANADA, AND U.S.	796	798	700
OTHER WESTERN COUNTRIES	261	268	250
TOTAL WEST	957	966	950
EASTERN COUNTRIES	149	412	300
IMF/OFFICIAL SALES	15	70	200
TOTAL SUPPLY	1121	1448	1450

(B) DEMAND IN TONS

JEWELRY	551	937	880
ELECTRONICS, DENTISTRY, ETC.	184	203	250
TOTAL INDUSTRY	695	1140	1130
OFFICIAL MINT	244	178	150
MEDALS	18	41	20
TOTAL GOLD WORKED	957	1359	1300
INVESTMENT/HOARDING	164	89	150
PRIVATE GOLD DEMAND	1121	1448	1450

6. BALLY SHOES: AS RESULT OF PRESS REPORTS ALLEGING
FINANCIAL MISMANAGEMENT BY C.F. BALLY DIRECTORSHIP
(BERN 3133), ZURICH POLICE SEQUESTERED 20,000 SHARES
OF BALLY STOCK AND 11,900 SHARES OF OVERSEAS DEVELOPMENT
BANK STOCK VALUED AT TOTAL SF 49 MILLION OWNED BY WARNER
REY WHO TOOK OVER CONTROL OF BALLY EARLY THIS YEAR. STOCK
IS BEING HELD PENDING OUTCOME OF INVESTIGATION INTO
SF 41.5 MILLION IN QUESTIONABLE LOANS BALLY MADE TO
FIRMS CONTROLLED BY REY. IN VIEW OF ALLEGATIONS,
BALLY EMPLOYEES HAVE REQUESTED TWO SEATS ON MANAGING
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BOARD. EMPLOYEES NOTED SACRIFICES THEY MADE TO KEEP
BALLY GOING DURING RECESSION; THEY STILL WORK MORE
THAN 45 HOURS WEEKLY AND GAVE UP INFLATION PAY
ADJUSTMENT LAST YEAR.
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Message Attributes

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